



Environmental Insurance Policy Coverage and Terms

Targeted Policy		Key Exclusions ^{5,6,7}	
Policy Name/Type ¹	Holder(s) ²	Coverage Explanation ^{3,4,5}	
Most Common Insurance Utilized to Cover Property Contamination Liabilities and Costs		(Continued on Page 3) 	
Pollution Liability (PL)	Property Owners Others Named to the Policy (e.g., developers, investors, remedial contractors)	Third party claims for cleanup, bodily injury, and property damage First party claims for property damage (cleanup required by regulators) Legal defense costs Optional: Contractual liability, Business Interruption, Extra expense, Transportation, and Non-owned disposal site	Owned property (i.e., property owned, leased, or operated by the policy holder) Contractual liability ^{7*} Underground storage tanks* Certain types of indoor air pollution
Cost Cap (CC)¹²	Property Owners Developer Municipalities Contractors	Covers an unanticipated increase in costs of a known cleanup (i.e., if the cost to perform the cleanup is greater than estimated by the contractor). Typically, policies limit coverage to three identified triggers only: 1) discovery of unidentified pollution, 2) additional amounts of pollution, 3) a change in regulatory requirements, or 4) remediation plan failure.	Cleanup of contamination not specifically covered in the policy Legal costs (e.g., negotiating with governmental authorities or government oversight costs) Other exclusions: professional negligence, faulty workmanship, breach of warranty, unreasonable contractor delays, bankruptcy, strikes, and acts of God Investigation costs associated with the discovery of new or different contamination and monitoring activities are frequently excluded.
Combined PL and CC Policies¹³	Property Owners Others Named to the Policy	See PL and CC coverage <i>Note:</i> Essentially, this policy is a combination (or a hybrid) of Pollution Legal Liability and Cleanup Cost Cap insurance. This type of policy is designed to cover properties with known environmental problems in which there is a planned remediation and a planned redevelopment.	See exclusions for PL and CC
Other Insurance Available to Cover Property Contamination Liabilities and Costs		(Continued on Page 3) 	
Property Transfer/Property Owner's Policy	Property Seller Property Buyer Developer Lender	Third party claims for cleanup, bodily injury, and property damage on or offsite <i>Note:</i> This is a form of PL coverage marketed towards the parties involved in a property transaction.	Owned property (i.e., property owned, leased, or operated by the policy holder) Contractual liability* Underground storage tanks* Certain types of indoor air pollution
Contractor's Pollution Liability¹⁴	Contractors Consultants	Bodily injury, property damage, and environmental damage arising out of covered operations performed by the insured contractor or consultant on a third party's real property. Pollution arising out of professional services rendered by the insured contractor or consultant. On and offsite cleanup costs. Defense costs. <i>Note:</i> Joint venture coverage and extended discovery periods are available. Policy can be written on an occurrence or claims-made basis.	Not Available
Errors and Omissions Insurance¹⁴	Property Owner Environmental Consultants Environmental Laboratories	Damages (including pollution liability) from acts, errors, or omissions in professional services. Events such as the failure of the consultant to detect contamination during a Phase I or Phase II audit, or the negligent design of a remedial system. <i>Note:</i> Policy is offered as claims-made or occurrence coverage. Claims-made policies may offer an extension period.	Not Available

Additional Sample Policy Information is Continued on Page 3

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Targeted Policy		Coverage Explanation ^{3,4,5}	Key Exclusions ^{5,6,7}	Additional Sample Policy Information is Continued on Page 4
Policy Name/Type ¹	Holder(s) ²			
Other Insurance Available to Cover Property Contamination Liabilities and Costs				
Finite Risk/ Pre-Funded ¹⁵	All Parties	Transfers the financial liabilities associated with contaminated properties from the legally Responsible Party to an insurance carrier. The Responsible Party pays the insurer the entire present value of the projected cleanup cost when the insurance is obtained, and the insurer takes on the financial responsibility for cleaning up the property. Typically, the policy incorporates CC and PL insurance elements, as well as timing and inflation protection.	Not Available	
Lender Pollution Liability ^{16,17}	Lenders <i>Note:</i> In some cases, lenders may require a property owner to purchase this insurance for the Lender as terms of the loan.	Typically, the policy is designed to cover the lesser of: (i) the outstanding covered loan balance due on the date of default with respect to the insured real property that is found to be contaminated; (ii) the cost to clean up such property; or (iii) the fair market value of the covered location at the time the loan closed. Legal defense, bodily injury, and property damage coverage for third party claims. First party cleanup coverage to the insured, but not for those matters that were subject to a claim under the collateral value loss coverage. <i>Note:</i> Often, coverage is also available under this policy for CERCLA and state lender liability claims, as well as third party claims for bodily injury and property damage, and certain on-site cleanup costs.	Contractual liability Fines and penalties Loans entering into default outside the policy period	
Institutional Controls and Post Remediation Care Insurance	Property Owner	Stop Loss: Cost overruns related to the design and initial implementation of the institutional control. Professional Liability: Third party bodily injury and property damage and cleanup coverage in instances where there are errors in the design or establishment of a institutional control by a professional. Maintenance and Enforcement of Controls: Third party bodily injury and property damage and cleanup costs associated with an error or omission by a party responsible to maintain or enforce an engineering or institutional control, which has been both properly designed and established. Failure of Controls: Third party bodily injury and property damage and cleanup coverage in instances where a properly designed and implemented institutional or engineering control FAILS, including the instance that new scientific developments deem the controls inadequate.	Not available	

NOTES:

- Most of these insurance products are offered by all major environmental insurance companies. Additional, more tailored policies may also be offered by major insurance companies.
- The entities for which these policies are most applicable are listed. In some cases, multiple entities can be covered as Named Insured on a policy (e.g., PL).
- The claim type of all policies is claims-made, unless otherwise stated.
- Typically, insurance policies cover only listed policy holders, properties, locations, or operations.
- Natural resource damages (NRD) may be included or excluded from coverage, contingent on the insurer. As a result, inclusion of NRD coverage is typically negotiable.
- Many policies contain the following key exclusions: mold and other microbial matter; asbestos; war and terrorism; naturally occurring radioactive materials; lead paint; known and pre-existing contamination known to the insured; intentional acts or omissions; and deliberate non-compliance with law.
- A number of exclusions are either highly negotiable or may (or may not) be listed in a policy, contingent on the insurer. Such exclusions are identified with an asterisk ("**").
- Each insurer sets his/her own premiums; therefore the premium listed is only for guidance purposes. If only one dollar value is identified, then it should be considered the minimum value, unless otherwise indicated. Average values are provided where available based on research by Northern Kentucky University, *Environmental Insurance Products Available for Brownfields Redevelopment* (2005).
- It is possible that lower premiums can be negotiated where there is minimal expected environmental risk.
- Insurers may apply aggregate limits to the policy limits.

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Policy Name/Type ¹	Sample Periods	Sample Premiums ^{8,9}	Sample Policy Limits ¹⁰	Sample Deductibles/SIRs ⁸	Typical Documentation Requested ¹¹
Most Common Insurance Utilized to Cover Property Contamination Liabilities and Costs					
Pollution Liability (PL)	1 to 10 years <i>Note:</i> Periods most commonly depend on negotiation of pricing between insurer/insured and how policy best fits into insured's budget.	\$10,000-\$300,000 Average: \$75,000-\$100,000	\$1,000,000 - \$150,000,000 Average: \$10,000,000 <i>Note:</i> Typically, insurers will not insure liabilities valued at less than \$1,000,000	\$25,000 - \$1,000,000 Average: \$100,000	--Phase I Environmental Site Assessment (Phase I ESA) --Other existing environmental studies --Audited Financial statements --Phase II Environmental Site Assessment (if Phase I indicates problems)
Cost Cap (CC)¹²	Negotiable with 10-year maximum Average: 5 years <i>Note:</i> Typically, coverage ends at completion of project and following the receipt of No Further Action (NFA) letter (or similar documentation) from a governmental authority	About 8-20% of the estimated cleanup cost	\$1,000,000 - \$25,000,000 <i>Note:</i> Typically, insurers will not insure cleanups valued at less than \$1,000,000	SIR is usually calculated as the sum of the approved cleanup estimate plus between 10% and 30% of the cleanup estimate Average: 20% of estimated cleanup cost <i>Note:</i> Some insurers only offer co-payment arrangements once the cleanup costs go beyond the SIR.	--Cleanup plan (approved by the regulating agency or the insurance company) --Contractor cost estimate --Audited Financial statements --Recent due diligence information
Combined PL and CC Policies¹³	Negotiable See PL and CC coverage	Average: \$50,000	\$1,000,000 - \$100,000,000	PL: \$10,000 and up CC: Sum of cleanup estimate and 10% of the cleanup estimate	--Phase I ESA --Other existing environmental studies --Cleanup plan (approved by the regulating agency or the insurance company) --Contractor cost estimate --Remedial Action Plan (RAP) --Schedule
Other Available Insurance Utilized to Cover Property Contamination Liabilities and Costs					
Property Transfer/Property Owner's Policy	3 to 10 years	Negotiable	\$1,000,000 - \$150,000,000	\$5,000 and up per incident	Not Available
Contractor's Pollution Liability^{14,15}	1 to 10 years <i>Note:</i> Should be renewed for each year work is performed at the site.	\$5,000	\$1,000,000 - \$100,000,000	\$2,500 and up	--Project Plan/Specifications --Audited Financial Statements --Prior Project History
Errors and Omissions Insurance¹⁵	1 to 10 years <i>Note:</i> Should be renewed each year work is performed. For claims-made coverage, renewal should be for an agreed upon number of years after performance of work.	\$5,000	\$1,000,000 - \$100,000,000	\$2,500 and up	--Copies of standard Client/Subcontractor Agreement --Project Plan/Specifications --Audited Financial statements --Prior Project History --Resumes of key personnel --Corporate capabilities statement --Stewardship plan (e.g., monitoring requirements, access rights from property owners)

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Policy Name/Type ¹	Sample Periods	Sample Premiums ^{8,9}	Sample Policy Limits ¹⁰	Sample Deductibles/SIRs ⁸	Typical Documentation Requested ¹¹
Other Insurance Available to Cover Property Contamination Liabilities and Costs					
Finite Risk/ Pre-Funded¹⁵	Negotiable (typically, 30 years)	The underwriting of the process typically takes the present value of the anticipated cash disbursements over the course of the property's remediation. Thus, the underwriter collects the entire present value cost of the remediation at the project's inception and assumes the credit and timing risk of the policy. Deferred payment options may be offered to allow the remediation cost to be paid in over the course of the project.			Not Available
Lender Pollution Liability^{16,17}	1-10 years Average: 5-10 years	\$25,000 - \$150,000 Average: \$50,000	\$1,000,000 - \$25,000,000 Average: \$5,000,000-10,000,000	\$10,000 - \$250,000 Average: \$25,000 - \$50,000	--Phase 1 ESA --Phase 2 ESA --Commercial Real Estate Loan Documents, including sections pertaining to the Definitions and Conditions of Default, Environmental Matters and a copy of any applicable environmental indemnity. --Audited Financial Statements Frequently, these policies are written based on the financial strength of the borrower, rather than on the environmental condition of the property.
Institutional Controls and Post Remediation Care Insurance	Not available	Not available	Not available	Not available	Not available

NOTES (continued):

11. Typically, insurers will also require an application and/or questionnaire. Documentation required may vary widely among insurers.
12. Cost Cap policies are also known as: Cleanup Cost Cap, Remediation Stop Loss, or Cost Containment.
13. Combined PL and CC policies are also known as Contaminated Property Development Policy, Brownfields Restoration and Development Policy or Commercial Property and Redevelopment Pollution Policy.
14. Errors and Omissions and Contractors Pollution Liability policies are often offered together as a package. These package policies may be called Construction Consulting, Engineering, and Design Professional Liability Policy; Engineers and Consultants Professional Liability Policy; or Contractor Operations and Professional Services Package.
15. Finite Risk is not traditional insurance coverage. Rather it is a type of self-insurance program fully funded by the insured and administered by the insurance company. It is sometimes recommended by insurance companies when dealing with a long-term costly cleanup. Finite Risk policies are used to extend the term of a typical policy beyond 10 years to even 20 or 30 years. Additionally, Finite Risk policies may include a CC policy or PL policy as a component.
16. Lender Pollution Liability policies are also known as Secured Creditor, Creditor Reimbursement, and Lender Collateral policies.
17. Lender policy terms and conditions for this type of policy vary widely among insurers; therefore, please carefully review insurer information for more specific data on this policy.

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